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National Intelligence Bulletin

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LEBANON

A six-man, "non-political" cabinet containing neither Phalangists nor Socialists was formed in Lebanon late yesterday. This represents a victory for Prime Minister-designate Rashid Karami and a defeat for President Franjiyah.

Formal installation of the new cabinet by President Franjiyah is expected today. According to press reports from Beirut, minor haggling is still going on over which portfolios are to be assumed by each of the six members. The speaker of the Chamber of Deputies, a leading Shia Muslim politician and longtime associate of President Franjiyah, told reporters this was "a minor point which cannot be described as an obstacle."

For more than a month, Franjiyah and the country's other Christian leaders had held out for participation by the right-wing Phalanges Party in the new government. Phalangist leader Pierre Jumayyil so far has made no public statement. He met for several hours yesterday with Franjiyah and Karami, however, and probably agreed at least to refrain from public opposition to the new cabinet.

It may take a few days for Jumayyil to convince his followers to lay down their arms and accept exclusion from the cabinet. The Phalangists over the past two days have become involved in the fighting. They will want to avenge their substantial number of casualties and protest what they see as a Muslim effort to isolate the Christian political parties.

Former president Camille Shamun, leader of the National Liberal Party, is the most prestigious Christian in the cabinet, and—with Karami—one of the group's two most powerful politicians. Shamun and Karami were bitter opponents in the 1958 civil war; their reconciliation and Shamun's participation will be played up by Karami as a major concession to the Christians.

The other four members of the cabinet are political independents chosen to represent the country's major religious groups. Three of the four served in the cabinet of former prime minister Rashid Sulh, which resigned in late May. Among them is Philip Taqla, who has been among Lebanon's most able foreign ministers.

Ghassan Tuwayni, the politically influential editor and publisher of Beirut's largest daily newspaper, will serve as minister of information, education, and planning. Generally pro-US, he served as deputy prime minister under former prime minister Saib Salam in the early 1970s.

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Fighting continued to be very heavy in all areas of Beirut prior to the announcement of the cabinet. Its formation should lead to a reduction of hostilities, inasmuch as it will encourage the main Muslim, Christian, and Palestinian factions to dismantle their roadblocks. This will make it easier for the security services to isolate and eliminate resistance by Lebanese leftists and the radical fedayeen.

The Lebanese army, according to press reports, is limiting its activities to protecting important installations in Beirut. The army is not known to have joined the security forces or the joint Lebanese-Palestinian patrols in attempting to flush out snipers. [redacted]

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THAILAND-CHINA

Before his departure for China, Prime Minister Khukrit told US Ambassador Whitehouse in Bangkok that he expected no last-minute hitches in the negotiations to establish diplomatic relations with Peking. Khukrit expressed pleasure with the tone and substance of the joint communique that will announce the establishment of relations, and said he believes it gives Bangkok more than Malaysia or the Philippines got in their communiques.

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The joint communique was worked out earlier this month during a four-day visit to Peking by a Thai Foreign Ministry delegation. No serious problems marred the negotiations. A Thai official said last week that the Chinese had not made an issue of the so-called Kuomintang remnant troops in northern Thailand, and they apparently did not raise the question of Thailand's anti-communist law, which forbids travel to China. The Thais had earlier feared that the Chinese would seek to resolve both issues before agreeing to sign the communique.

In his conversation with Ambassador Whitehouse, Khukrit stressed that he was not prepared to sacrifice Thailand's national interest for good relations with the Chinese. At the same time, he does not expect the Chinese to cease support for the Thai communist insurgency simply because the two countries have established diplomatic relations. In a more positive vein, the Prime Minister said that recognition of China will draw the Association of Southeast Asian Nations closer together so that they will be better able to discuss common concerns on China and Vietnam.

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Khukrit held out some hope that a trade agreement could be signed during his visit. The Thai would like to sell rice to Peking for the new regime in Cambodia.

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THAILAND

The Thai National Student Center announced in Bangkok yesterday that it was calling off anti-US demonstrations scheduled for July 4. Instead, the students plan to hold at a university campus a "general debate" on Thai foreign policy toward the US.

The student announcement was triggered by several factors:

- strong opposition to the demonstrations by the government, opposition politicians, and the press;
- factionalism within the student movement;
- student and labor apathy;
- concern that the government was looking for an excuse to crack down on leftist agitators within the student movement;
- the continuing drawdown of US forces in Thailand, which has undercut popular agitation for the withdrawal of US forces.

This marks the second year in a row that student activists have failed in their attempt to organize massive anti-US demonstrations on July 4. The failure not only underscores the fact that anti-Americanism in general is not a good rallying point in Thailand, but also that disenchantment with student demonstrations is growing among the bulk of the people.

Despite the student plans to back down, the police are continuing to make contingency plans to contain any demonstrators. The government has made no secret of its plans to crack heads, if necessary, to protect US embassy property. If July 4 passes peacefully, the Khukrit government will have won a significant victory in its effort to clamp down on student activism.

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USSR

The Soviets are considering keeping their Soyuz-18/Salyut-4 crew in orbit through the joint US-USSR manned space flight, scheduled to begin on July 15. Last week, one of the Soviet cosmonauts scheduled for the joint mission announced in Moscow that he would be communicating with the Soyuz-18 crew in space. On Sunday, however, the Soviet technical director for the Apollo-Soyuz Test Project informed NASA that a final decision on the duration of the Soyuz-18 mission has not been made.

The Soviets may hope simultaneous missions will strengthen their reputation as a space power and overshadow the major role the US has taken in the joint effort.

The Soviets initially intended to have the Soyuz mission out of the way before the US-Soviet mission. They attempted to launch a Soyuz crew on April 5, but the spacecraft failed to orbit. The aborted mission probably was intended to last at most 60 days.

The Soviets' capability to monitor and control two missions simultaneously is not known. In 1969, they had three manned spaceships in orbit simultaneously, but these spaceships flew in tandem and a single mission control center was used. All resources were allocated to what was really a single mission.

Two separate control centers would control the two missions. The joint mission control center will be outside Moscow, and the Soyuz-18 center is at Yevpatoniya in the Crimea. Both centers, however, would be dependent on the same tracking, telemetry, and data processing resources, and these could be overburdened if problems develop in either mission. Throughout the Soviet manned program, the Soviets have had difficulty reacting to unforeseen problems. The Soviet technical director, however, has assured NASA that the joint mission would receive priority.

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ARGENTINA

The failure of the Argentine labor movement to respond yesterday to the government's rollback of wage increases betrays lack of agreement on how to proceed. Sentiment is strong, however, for a show of force.

Negotiations are continuing and President Peron met with labor leaders last night. General strikes have been called in three provincial cities, but as yet only wild cat strikes are occurring in Buenos Aires.

The administration is not likely to find much support for a showdown with labor. Indeed, presidential adviser Lopez Rega reportedly sought in vain recently for army backing during what could be a prolonged general strike; he was told that the officers would maintain a strictly hands-off policy.

The officers realize they will need labor support in the event they feel obliged to take over the government. Peronist and opposition party congressmen also have been expressing support for labor.

Interior Minister Rocamora, who is threatening to resign, reportedly has cautioned Peronists that Lopez Rega may resort to force against them in an effort to discourage them from opposing Mrs. Peron. Lopez Rega, in fact, is reputed to control the right-wing terrorist Anti-Communist Alliance, which may have been responsible for a bombing attack on Sunday against a relative of the acting secretary general of the Peronist labor confederation. Peronist labor leaders are said to fear further terrorist attacks.

Growing opposition to Mrs. Peron's authority as the head of the Peronist movement was reflected last weekend in a verbal clash between Raul Lastiri—Lopez Rega's intimate and the number-two man in the Peronist party hierarchy—and several key Peronist senators.

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LAOS

Pathet Lao troops and communist-inspired civilian protesters continue to occupy three American installations in the Lao capital and reportedly are demanding that control of the installations be turned over to the coalition government.

The major demonstration against the US embassy which was widely expected yesterday failed to materialize, but the president of the Lao Student Federation—the activist group that has spearheaded many of the anti-US demonstrations of the past two months—talked tough at a news conference. He said that if the US refused to continue assistance to Laos, the coalition government "would agree with the Federation's desire to break diplomatic relations."

Communist Deputy Prime Minister Phoumi Vongvichit returned to Vientiane yesterday from Sam Neua, where he had been attending a three-week strategy meeting of the Lao Communist Party Central Committee. Prime Minister Souvanna Phouma told the US charge last week that Phoumi had suffered a heart attack in Sam Neua and that his return to Vientiane had been postponed indefinitely. Souvanna claimed he had received word of Phoumi's alleged illness by telegram from Sam Neua. [redacted]

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KOREA

South Korean military officials report that on June 28 several suspected North Korean agents were sighted near Kwangju airfield in southwestern South Korea. The armed infiltrators, reportedly wearing South Korean army uniforms, were pursued by a counter-infiltration force of some 370 men. In the ensuing firefight, four South Korean policemen were killed and six wounded. One North Korean agent was killed, and two others are being sought.

Meanwhile, the body of a North Korean agent, along with one AK-47 rifle, a Soviet-made pistol, and other agent-related equipment was discovered some 40 nautical miles southeast of Kwangju, along the southern coast. The drowned agent may have been part of the team that was sighted near Kwangju. Earlier this month, two suspected agent caches—containing such items as pistols and hand grenades—were discovered northwest of Seoul.

Although South Korean authorities periodically arrest suspected North Korean agents, armed encounters have been rather infrequent in recent years. The last incident involving an exchange of fire occurred last summer off the south coast of South Korea. The normal seasonal increase in infiltration attempts, combined with stepped up security precautions by Seoul, may account for the incidents in recent weeks. [redacted]

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CANADA

Canadian NATO officials, in separate bilateral consultations in Brussels, have urged the US and West Germany to provide written comments on the effect of Ottawa's current defense review on NATO. Sub-cabinet officials in both the External Affairs and Defense departments note that such responses must come soon if the cabinet is to be dissuaded from cutting Canada's NATO forces in Europe.

The Canadian officials indicated that the review has now moved to the critical stage of determining the force level needed to meet the nation's defense tasks. Particularly urgent is a decision on the level of expenditures necessary to support Canadian forces in West Germany. While it may be another year before the entire review is completed, a cabinet decision on the type and level of the European NATO contribution is likely much sooner.

No sub-cabinet plan has yet been proposed and all options—a continuation of the current mix of land and air forces, an all-land force, or an all-air contingent—are still open. There are numerous variations within these general options; for example, a land-air mix with the land contingent changed from the current tank brigade to a less expensive light-armored or anti-tank unit. The Canadians said that a re-equipped all-air contingent would result in a reduction of about 1,500 men in their European force.

The Canadians reiterated their promise to consult fully with all the NATO Allies as soon as specific plans are ready for cabinet consideration. They said Bonn supported modernizing the current land-air mix, and they were sure the US would have similar views.

Canadian sub-cabinet officials recognize the serious political and military implications of the proposed force reductions. These officials believe they will need all the Allied support they can muster in order to influence a cabinet beset with inflationary budget pressures and determined to limit government expenditures. The Trudeau government may face difficulty on the question of whether to increase the defense budget in order to maintain and modernize Canada's relatively small force that is committed to NATO.

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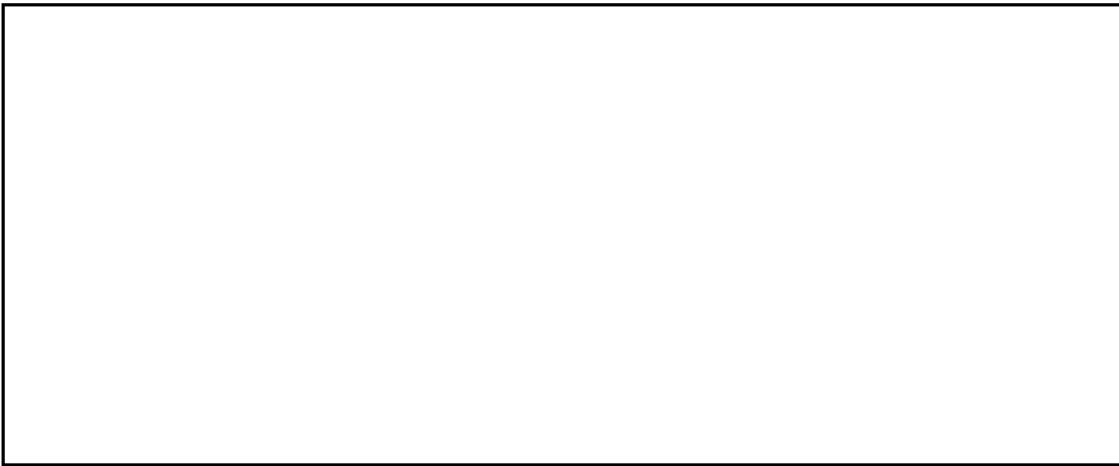
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FOR THE RECORD

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USSR: The Soviets have reinforced their Mediterranean Squadron three times during the past week. New units that transited the Bosphorus included guided-missile cruisers, destroyers, and the helicopter cruiser Leningrad. The total Soviet naval presence in the Mediterranean is at a normal level, but the number of Soviet naval missiles has now risen to a level exceeded only by that reached during the Middle East hostilities in October 1973. This increase is probably due to the presence of some ships that are planning a port visit to France, and others that may soon be entering the Atlantic. This buildup could also be associated with preparations for an exercise, a deployment to the Indian Ocean, or the upgrading of the Mediterranean fleet.

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ANNEX

Soviet Offshore Gas and Oil in the Arctic

The Soviet Union is the only major modern industrial state that is self-sufficient in fuels, with large proven reserves in oil, natural gas, and coal. A major drawback in the Soviet energy picture, however, is that three fourths of the total energy reserves are located in distant regions of Siberia, far from consuming centers with difficult terrain and weather. Although the Soviet Union will be in a much better situation than most other industrialized nations through the 1970s, its future as an exporter will depend on the success of development and the rate of exploitation of its Siberian energy reserves by the 1980s.

During the past decade, additions to Soviet proven oil reserves have not kept pace with production. Natural gas reserves have risen sharply during the past several years, but a large proportion of these are located in distant and inhospitable sections of Siberia. Consequently, Soviet authorities, including Petroleum Minister V. D. Shashin, have called for large capital investments in oil exploration and development in Siberia and other areas.

Extensive exploration for new oil and gas reserves has been under way for several years in western Siberia. The Soviets now are also beginning to search for oil and gas in areas of eastern Siberia and in offshore areas along the Soviet Arctic Ocean coast, where extensive reserves are believed to exist.

Offshore oil and gas prospects were discussed at a Soviet conference on continental geology as early as 1972. Scientific surveys and investigations of offshore areas were performed by Moscow University and the Soviet institutes of Arctic geology, marine geology, geophysics, and oceanography. The studies of Arctic offshore areas included geophysical exploration as well as seismic surveys.

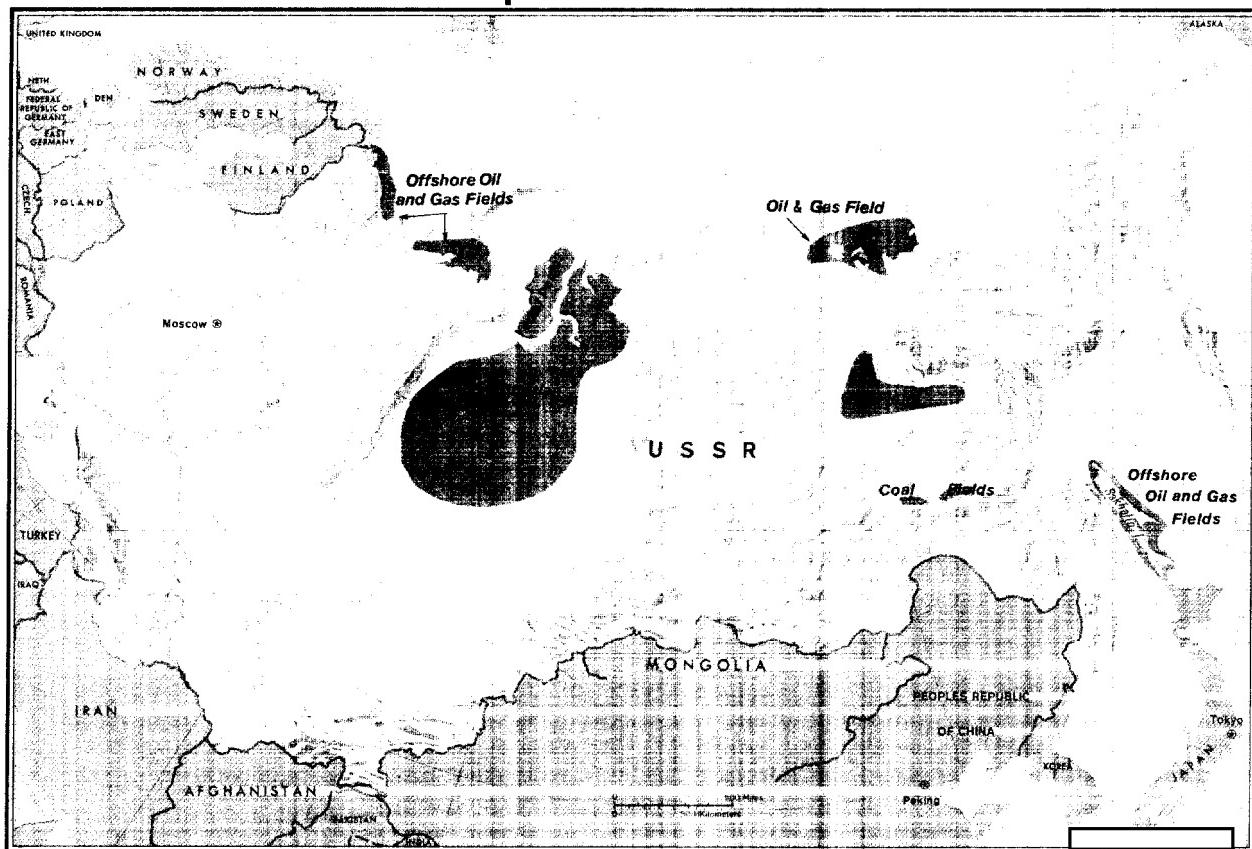
Although the Arctic offshore areas remain largely unexplored, several areas have been singled out as being particularly good locations for gas and oil exploration. Offshore areas in the Barents and Kara seas are believed to have considerable oil and gas deposits. In the Barents, Kara, and Laptev seas, studies of structural geology and postglacial history have shown potential oil resources of 200 billion barrels, one fourth of which is considered potentially recoverable. Natural gas-bearing regions of the Soviet continental shelf in the Arctic Sea cover about 3 million square miles. Offshore exploratory drilling is scheduled to begin soon.

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USSR: Selected Oil and Gas Exploration



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The Soviets are about to begin additional exploratory oil and gas wells on shore near the Arctic seas. The northernmost well in the Soviet Union was recently drilled near the shore of the Kara Sea on the west coast of the Yamal Peninsula. This well, which is at about the same latitude as the US Arctic oil operations along Alaska's North Slope near Prudhoe Bay, produced natural gas from a rock structure that extends offshore into the continental shelf.

Until recently, only the vast undeveloped inland areas of the Soviet Union have been emphasized for the development of oil and gas fields, and Soviet offshore drilling capabilities have not progressed as rapidly as on land.

Oil obtained from deposits under the Caspian Sea has given the Soviets limited experience in the operation of mobile-drilling platforms. However, most is produced in the Caspian Sea from fixed trestles and platforms extending from shore. Arctic offshore operations, however, will be much more complex and will require Western assistance for success in the near future. The Soviets have discussed exploration in the Barents Sea with the French and Norwegians as well as exploration of the Kara Sea with the British. The Soviets have also approached Gulf Oil Company about drilling in the Barents Sea and off Sakhalin Island.

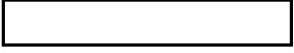
Much of the Soviet interest in the Barents Sea is based on recent Norwegian advances in offshore exploration techniques. In the past several months, negotiations have been under way between Norway and the Soviet Union to establish a common offshore boundary, and new oil and gas exploration in this area may well be involved in present Soviet and Norwegian interests in the Arctic.

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